

Message Text

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PAGE 01 NEW DE 11666 181400Z
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SUBJECT: GOI SPEELS OUT NEW IMPORT AND EXPORT POLICIES

REF: NEW DELHI 6330

SUMMARY: ON AUGUST 15 UNION MINISTER FOR COMMERCE, CIVIL SUPPLIES, AND COOPERATION, MOHAN DHARIA STATED NEW GOI IMPORT AND EXPORT POLICIES. NEW IMPORT POLICY INCLUDES SELECTIVE LIBERALIZATION WITH ADEQUATE PROTECTION FOR INDIGENOUS PRODUCERS. OBJECTIVES ARE TO (1) INCREASE UTILIZATION OF PRODUCTION CAPACITY, (2) MAKE CRITICAL IMPORTS AVAILABLE FOR EXPORT PRODUCTS, AND (3) MODERNIZE VARIOUS SECTORS OF ECONOMY WITH IMPORTED TECHNOLOGY, CAPITAL GOODS, AND MACHINERY. EXPORT POLICY WILL FOCUS ON SECTORS IN WHICH INDIA ENJOYS LONG-TERM COMPETITIVE ADVANTAGES AND EXPORTS THAT CAN BE MAINTAINED WITHOUT ARTIFICIAL INCENTIVES. ADDITIONAL AIMS ARE TO INCREASE PRODUCTION OF TRADITIONAL ITEMS AND TO MAXIMIZE DOMESTIC VALUE ADDED TO EXPORT PRODUCTS. EXPORT POLICY ALSO AIMED AT MINIMIZING SOCIAL COSTS BY REGULATING EXPORTS OF ESSENTIAL MASS CONSUMPTION ITEMS, ALTHOUGH UNCLASSIFIED

UNCLASSIFIED

PAGE 02 NEW DE 11666 181400Z

DOMESTIC CONSUMPTION OF "ELITIST" GOODS MAY BE RESTRAINED TO MEET EXPORT COMMITMENTS. INESSENCE NEW IMPORT AND EXPORT POLICIES DO NOT DIFFER SIGNIFICANTLY FROM POLICIES OF PREVIOUS GOVT. END SUMMARY.

1. MINISTER MOHAN DHARIA, UNION MINISTER FOR COMMERCE, CIVIL SUPPLIES AND COOPERATION, STATED NEW GOI IMPORT AND

EXPORT POLICIES IN INDEPENDENCE DAY ANNOUNCEMENT ON
AUGUST 15. KEY POINTS OF POLICIES ARE AS FOLLOWS:

2. IMPORT POLICY AIMS ARE TO INCREASE DOMESTIC PRODUCTION
AND EMPLOYMENT THROUGH BETTER PLANT CAPACITY UTILIZATION;
TO BOOST EFFICIENT LINES OF EXPORT PRODUCTION BY MAKING
CRITICAL INPUTS AVAILABLE AT INTERNATIONAL PRICES TO
EXPORTING COMMUNITY; AND TO INCREASE PRODUCTION OF MATERIAL
RESOURCES BY MODERNIZING VARIOUS SECTORS OF ECONOMY AND
MAKING AVAILABLE ADVANCED TECHNOLOGY, CAPITAL GOODS, AND
INDUSTRIAL MACHINERY.

3. GOI HAS ADOPTED POLICY OF SELECTIVE LIBERALIZATION OF
IMPORTS (SEE REFTEL) WITH ADEQUATE CARE BEING TAKEN TO SAFE-
GUARD GENUINE INTERETS OF INDIGENOUS PRODUCERS. OFFICIALS
OF COMMERCE MINISTER ARE REVIEWING IMPACT OF IMPORT LIBERALI-
ZATION ON INDIGENOUS INDUSTRIES AND ARE EXAMING WHETHER
ANY CHANGE IS REQUIRED IN POLICY TO INSURE ADEQUATE
PROTECTION OF DOMESTIC INTERESTS.

4. IN NEW IMPORT POLICY, SPECIAL CARE HAS BEEN TAKEN
TO SAFEGUARD AND PROMOTE INTERESTS OF SMALL SCALE,
COTTAGE, AND VILLAGE INDUSTRIES. IMPORT NEEDS OF VITAL
INSTITUTIONG ENGAGED IN RESEARCH AND EDUCATION ARE FULLY
PROVIDED FOR IN IMPORT POLICY.

UNCLASSIFIED

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PAGE 03 NEW DE 11666 181400Z

5. EXPORT POLICY GROWTH IN EXPORTS IS ESSENTIAL PRE-
REQUISITE FOR ATTAINING ECONOMIC SELF-SUFFICIENCY,
ALTHOUGH NOT AN END IN ITSELF, DHARIA SAID. IN THE XPORT-
ING OF ESSENTIAL GOODS FOR MASS CONSUMPTION, GOI WILL
GIVE OVERRIDING PRIORITY TO NEEDS OF OWN PEOPLE. EXPORTS
COULD ALSO HELP IN MAINTAINING DOMESTIC PRICE STABILITY
OR FETCHING BETTER RETURNS FOR PRODUCERS AND FURTHER
ACCELERATE PRODUCTION.

6. FUNDAMENTAL ELEMENT OF NEW STRATEGY IS TO SHIFT EXPORT
MIX TOWARDS SECTORS IN WHICH INDIA HAS LONG-TERM COMPETITIVE
ADVANTAGES AND WHERE EXPORTS CAN BE SUSTAINED WITHOUT ARTI-
FICIAL CRUTCHES. LEADING SECTORS FOR EXPORT EXPANSION ARE
ENGINEERING GOODS, CHEMICALS, PLASTICS, LEATHER MANUFACTURES,
TEXTILE MADE-UPS AND GARMENTS, CARPETS, HANDICRAFTS, AND
TECHNOLOGY INTENSIVE PRODUCTS SUCH AS CONSULTANCY SERVICES
AND PROJECTS.

7. ADDITIONAL AIM IS TO INCREASE PRODUCTION OF TRADITIONAL
ITEMS AND TO DIVERSIFY COMMODITY MIX SO AS TO MAXIMIZE DO"
MESTIC VALUE ADDED TO THESE EXPORTS. FOR EXAMPLE, SHIFT
AWAY FROM RAW HIDES AND SKINS TO FINISHED LEATHER AND

LEATHER MANUFACTURES; INCREASE DOMESTIC VALUE ADDED TO RENEWABLE NATURAL RESOURCES LIKE MARINE PRODUCTS AND FORESTRY PRODUCTS AND TO DEPLETABLE RESOURCES LIKE ORES AND MINERALS.

8. ANOTHER CARDINAL ELEMENT OF NEW POLICY IS TO MINIMIZE SOCIAL COSTS OF EXPORTS BY REGULATING EXPORTS OF ESSENTIAL MASS CONSUMPTION ITEMS. HOWEVER, FOR THOSE ITEMS OR GOODS WHICH USUALLY CATER ONLY TO "ELITIST" CONSUMPTION, DOMESTIC CONSUMPTION MAY HAVE TO BE RESTRAINED TO FULFILL EXPORT COMMITMENTS.

9. THESE ARE BASIC PRINCIPLES OF EXPORT POLICY WHICH
UNCLASSIFIED

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PAGE 04 NEW DE 11666 181400Z

WILL BE SPELLED OUT IN DETAIL IN NEW EXPORT POLICY RESOLUTION NOW UNDER PREPARATION BY GOI

10. COMMENT: ALTHOUGH JANATA GOVT. HAD PREVIOUSLY ANNOUNCED ELEMENTS OF IMPORT AND EXPORT POLICIES SUCH AS LIBERALIZATION OF IMPORTS ON APRIL 27, 1977 (REFTEL), THIS IS MOST COMPREHENSIVE OFFICIAL ELABORATION OF THESE POLICIES TO DATE. NEW POLICIES DO NOT DIFFER SIGNIFICANTLY FROM IMPORT AND EXPORT POLICIES OF PREVIOUS GOVERNMENT. LARGE FOREIGN EXCHANGE RESERVES MAKE POSSIBLE A MORE LIBERALIZED IMPORT POLICY, A PROCESS WHICH HAD BEGUN UNDER PRIOR CONGRESS PARTY GOVT. EXPORT POLICIES ARE BASICALLY SAME AS PREVIOUS GOVT. WITH POSSIBLE EXCEPTION OF FEWER GOI EXPORT INCENTIVES. GOHEEN

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